

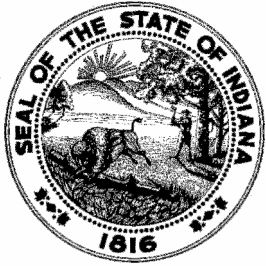
Property Taxes: 2007 and beyond

Department of Local Government Finance

Cheryl Musgrave

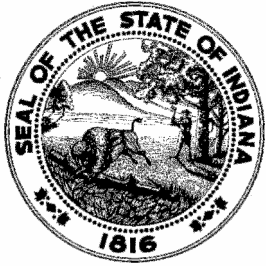
Commissioner

October 24, 2007



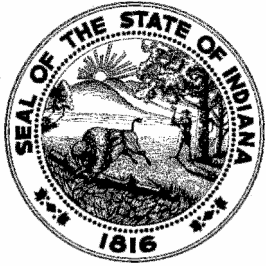
Property Taxes: 2007 and beyond

- Trending: Indiana's first effort
- Governor Daniels takes action
- Looking ahead



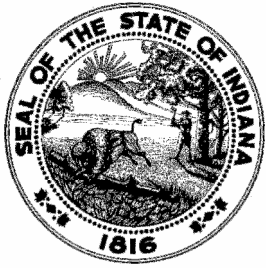
Trending: What is it?

- Revaluation of all real property
- Change in value from January 1, 1999 to January 1, 2005
- Locally-elected officials responsible
- 2006 Pay 2007: First time required in Indiana



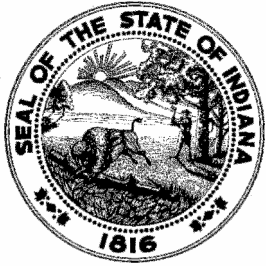
Trending

- Annual adjustment of real property values based on analysis of market sales data
- Required by IC 6-1.1-4-4.5, beginning with March 1, 2006 assessment date
 - First appeared in law in 2002
 - Delayed by legislature in 2005 until 2006
 - Captures change in value from 1999 to 2005
 - 50 IAC 21 is adopted rule



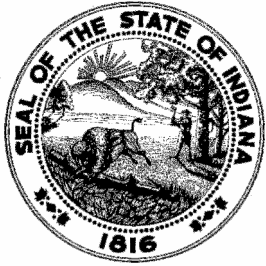
Trending

- Goals
 - Equitably distribute the real property tax burden by annually adjusting values similar to personal property
 - Smaller incremental annual adjustments between general reassessments
 - Avoid large change in values
- Next general reassessment scheduled to begin in 2009 effective for 2011 pay 2012



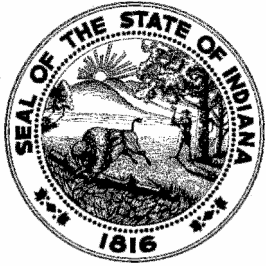
Trending: Local role

- Locally elected officials conduct entire process
 - Sales verification and validation
 - Review of neighborhood delineations and land values
 - Ratio study
 - Assessment ratio calculated for each property class
 - Trending factor applied



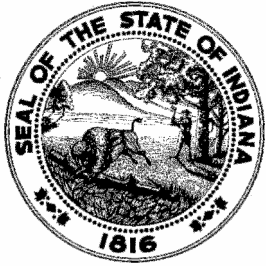
Trending: State role

- Ratio study review by DLGF
 - To ensure compliance with IAAO standards
 - Study captures assessment to sales ratio only
 - Incomplete analysis of local adherence to other methods of calculating change in value



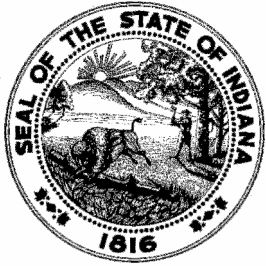
Trending: State role

- Accuracy and equity are measured by conducting a statistical analysis known as an assessment-to-sales ratio study
- The basic statistic in an assessment-to-sales ratio study is an assessment ratio
- $\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$



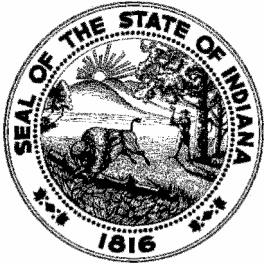
Trending: State role

- Assessment ratio for all properties in Indiana to be 100%
 - Assessed Value \div Sale Price = Ratio
 - Example 1: $\$60,000 \div \$60,000 = 100\%$
 - Example 2: $\$54,000 \div \$60,000 = 90\%$
 - Example 3: $\$66,000 \div \$60,000 = 110\%$



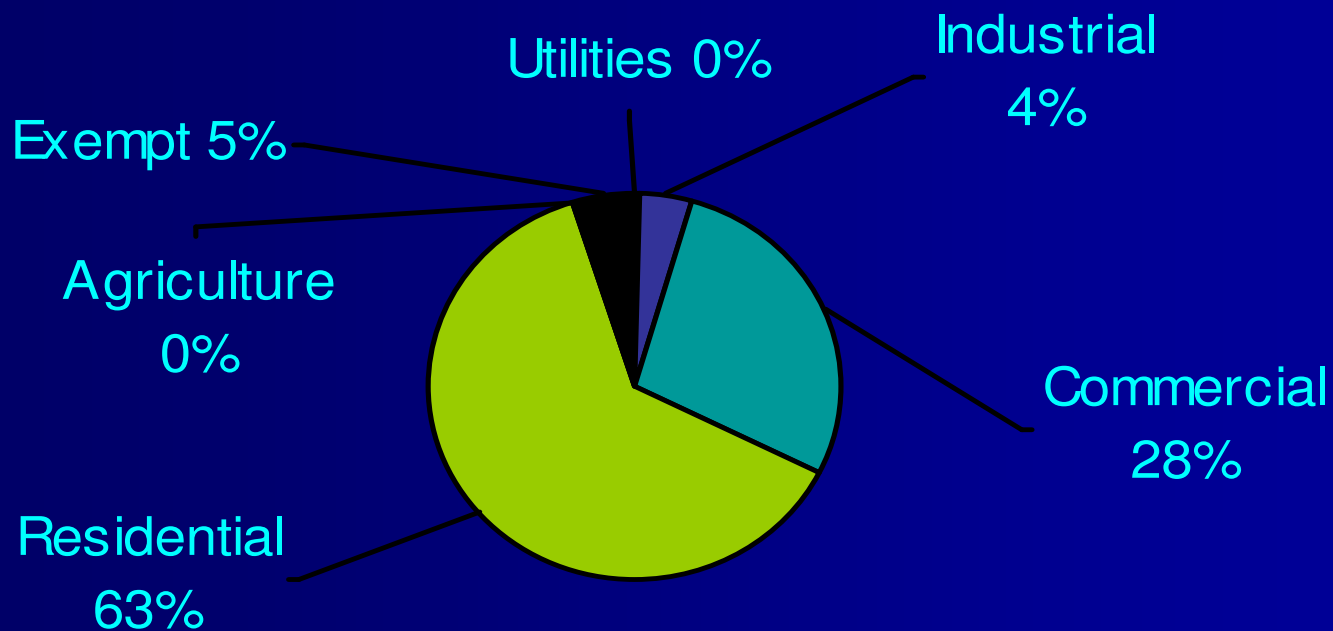
Trending in Marion County

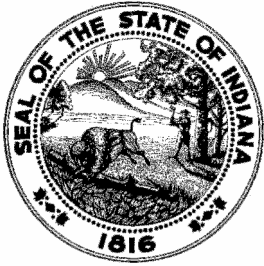
- Spring tax bills mailed early July
 - Public shock at increases
 - Perception of inequality in assessments
 - Assessments did not change
 - 72 percent of commercial
 - 72 percent of industrial



Marion County Assessed Values 2006

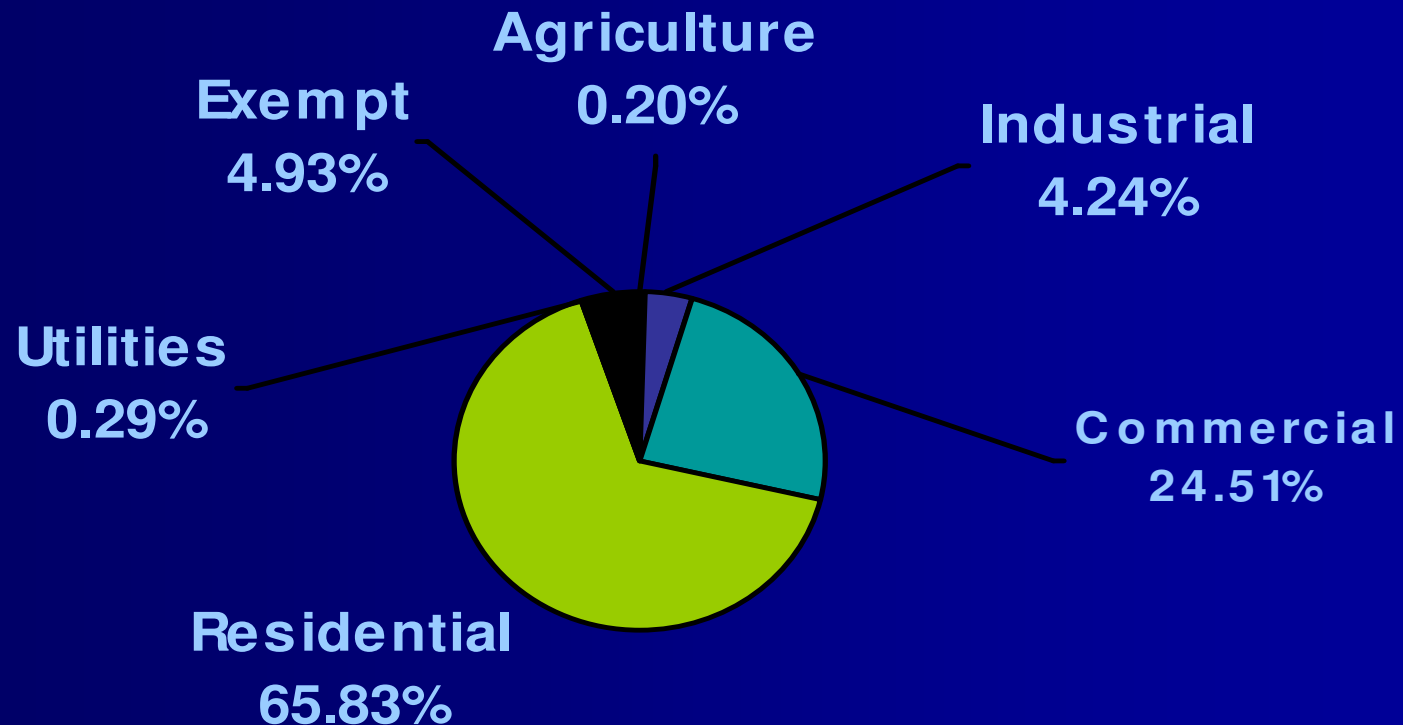
2006 Gross AV By Class

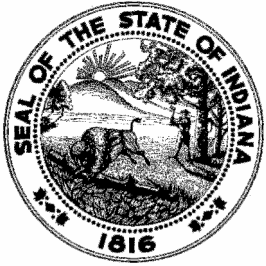




Marion County Assessed Values 2007

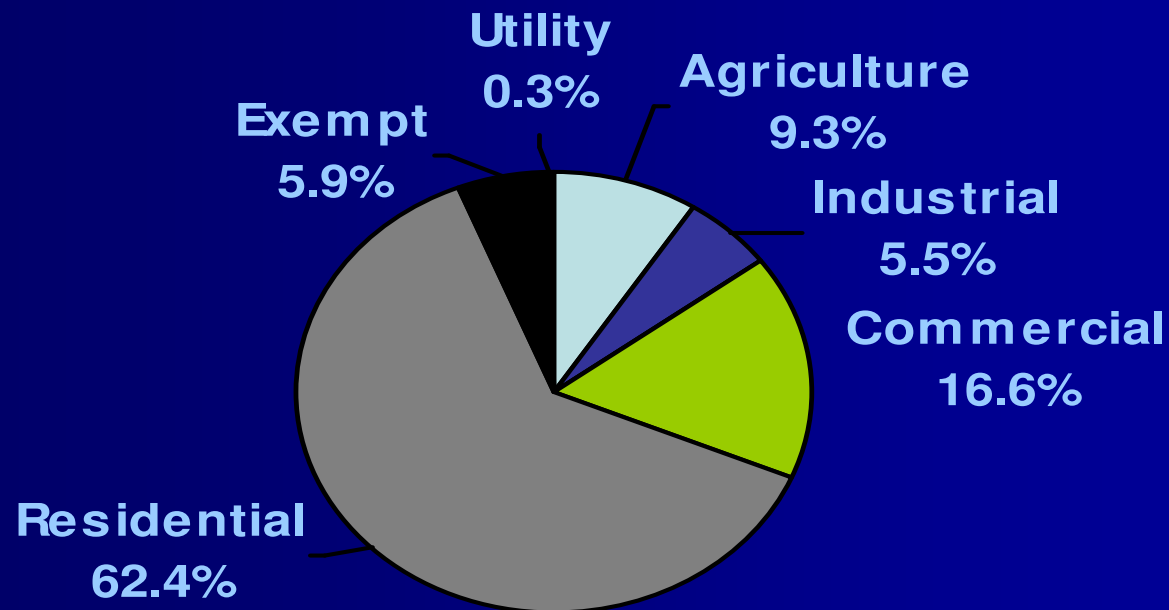
2007 Gross AV by Class





Statewide Assessed Values 2006

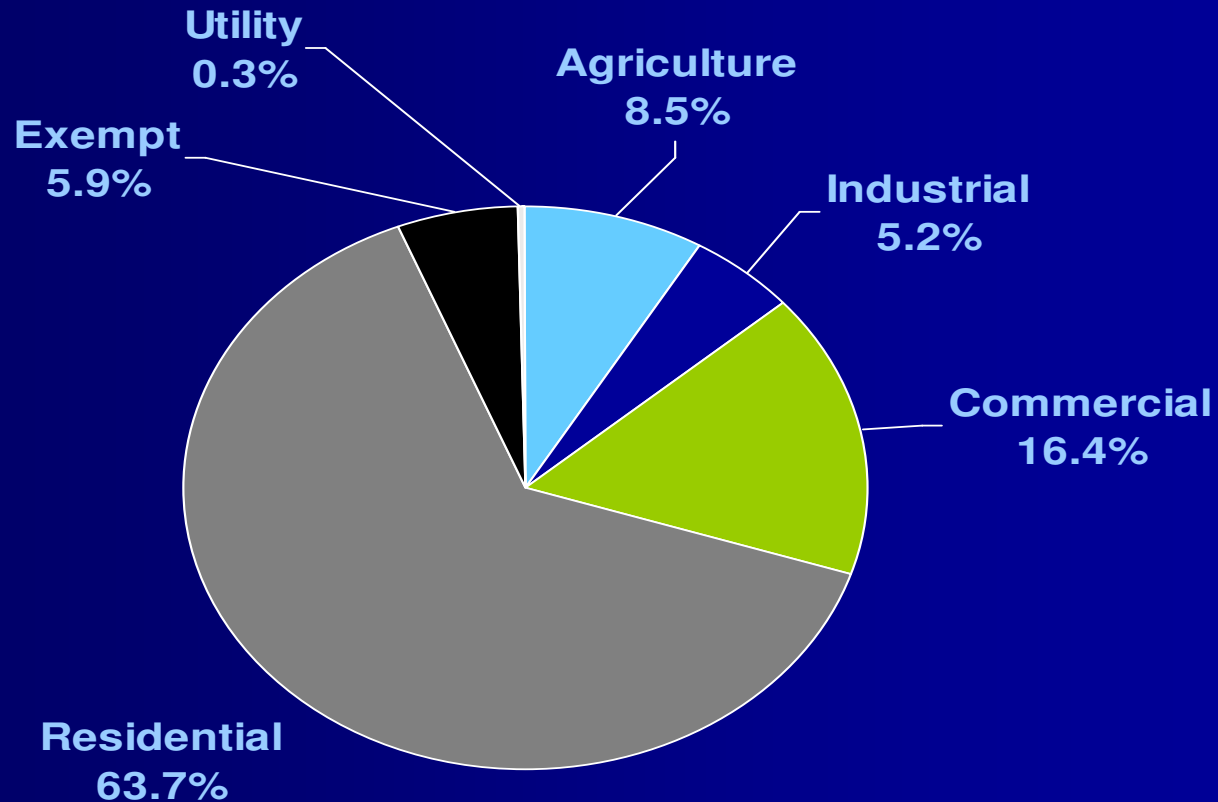
2006 Gross AV By Class



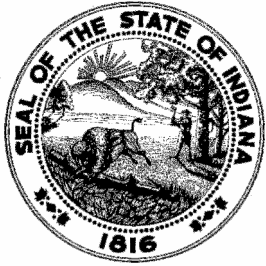


Statewide Assessed Values 2007

2007 Gross AV By Class

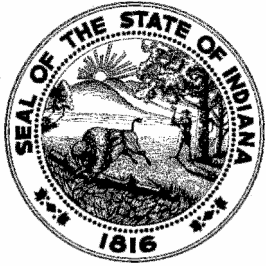


Indiana Department of Local Government Finance



Governor Daniels Takes Action

- 2005: developed school construction guidelines
- 2005: provided tools for government consolidation and efficiency
- 2005: proposals to shift from property taxes to other revenue sources
- 2005: called for a tax bill you can understand
- 2006: proposed state funding of child welfare costs



Governor Daniels Takes Action

Summer 2007

- Local Option Income Tax “LOIT”
 - 11 counties have adopted (including Marion)
 - Reduce reliance on property taxes
 - Shift burden to income taxes
 - Relieves those on fixed incomes
 - Burdens those with more income relative to property tax obligation



Governor Daniels Takes Action

Summer 2007:

- Ordered review of trending in all 92 counties
 - 69 counties released
 - 21 receive public hearings
 - 15 directives
 - 2 orders
 - 1 public hearing yesterday
 - 3 public hearings next week
 - 2 pending (Brown and Putnam)



Governor Daniels Takes Action

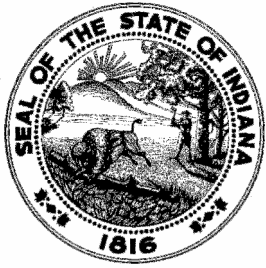
- What did review reveal?
 - Right job; wrong organizational structure
 - System is collapsing under its own weight
 - 92 County Assessors
 - 1008 Township Assessors
 - 1/3 newly elected officials every 4 years
 - Multiple software applications reduce efficiency



Governor Daniels Takes Action

Summer 2007:

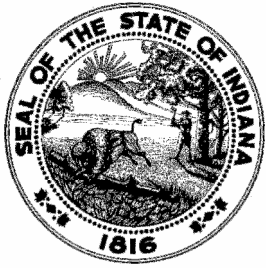
- Formed Commission on Local Government Reform
 - Examine and make recommendations on reforming and restructuring local government.
 - Review past recommendations and report by December 31.



Governor Daniels Takes Action

Summer 2007:

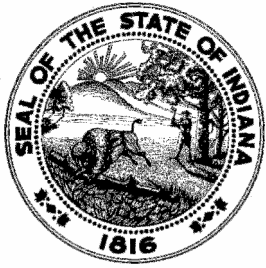
- Proposed changing rebate to credit
- Extended LOIT adoption deadline to December 31
- Extended homestead deduction and credit applications deadline to October 15



Governor Daniels Takes Action

Governor Daniels' property tax relief plan

- Immediate relief for every homeowner
- 1% permanent cap on homeowner taxes
- End to unfair and inaccurate assessments
- Real limits on local spending



Governor Daniels Takes Action

Governor Daniels' property tax relief plan

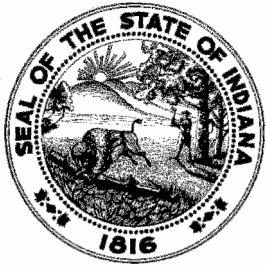
- Permanent Cap: Constitutional circuit breaker
 - 1% residential
 - 2% rental
 - 3% businesses
- Levy Cut
 - Remove school operating and transportation costs
 - Child welfare costs



Governor Daniels Takes Action

Governor Daniels' property tax relief plan

- Funding proposal
 - 1¢ sales tax
 - State surplus funds
- Spending controls
 - County Tax Board review of all spending
 - Referendum
 - for significant new capital projects
 - Spending in excess of income growth



Governor Daniels Takes Action

Governor Daniels' property tax relief plan

- An end to unfair and inaccurate assessments
 - Restructure assessment system:
 - Eliminate politically elected assessors
 - Replace with locally appointed county assessor
 - Qualified and certified
 - Oversee trained professionals



Looking Ahead

- HEA 1478 – Control Board changes
 - County Board of Tax and Capital Projects Review
 - Replaces DLGF for all capital projects over \$7 million
 - Major exception: school projects
 - Other exceptions: road, water and sewer projects
 - Major impact: city, county and library construction projects



Looking Ahead

- DLGF initiatives:
 - More information available to public on the website www.dlgf.in.gov
 - Property information: tax assessments, bills, sales
 - Budgets information and analysis
 - Remonstrance toolkit coming soon



For More Information

- News releases from Governor Daniels
 - www.in.gov/gov
- News releases from the DLGF
 - www.in.gov/dlgf
- Contact the DLGF
 - 317.232.3777
 - propertytaxinfo@dlgf.in.gov
- Copies of presentation available at www.dlgf.in.gov